CLAIMS

What claimed is:

1. A methodology for improving the return of an investment portfolio, using a concept of multiple share combinations and a mechanism for tracing their interrelated share price movements, in order to swap stocks at a preset relative price differential, by selling a preset portion of the shares that increased to buy those that decreased, and systematically continue leveraging the relative price fluctuations of all possible share combinations, while observing preset risk limits and stops, thus increasing over time the number of shares and, eventually, the value of the portfolio, constituted with a sufficient number of diversified good value stocks, selected according a series of predefined criteria.

2. A program with the basic mathematics and financials of the methodology of claim 1, written in Microsoft Excel, for calculating the excess return that can theoretically be generated by the method for a number of stocks from 2 up 1000, integrating a selected number of variables and factors, preset as follows:
the initial investment amount of $ 30 000 per stock;
the number of combinations, initially depending on the number of stocks and further influenced by the price differential, the limits per stock, the volatility and practical trading implications;
a relative price differential of 10 and 15 %;
the portion of stocks, namely half, to be sold each time that the price differential has been reached;
the limits per stock, any minimum and maximum amounts that can be held in one stock, as related to the initial investment amount or as related to the initial quantities of shares;
the average return per strike, influenced by the combination of the former variables and factors;
a number of strikes, depending on the number of stocks, as well as the frequency of occurrence of 1 and 2 per year and per share combination;
a success factor of 0.4 meaning 4 out of 10 possible strikes, influenced by trading limits and habits;
transaction and other costs, depending on the broker, stock exchange, taxes and national regulations, set at $ 29.95 per order and 0.17% of the transaction amount.

3. A process that applies the methodology of claim 1 and the program of claim 2, including the different steps of:

choosing initially the companies, either an existing portfolio or any valid stock picking approach, preferably, the specific screening method adapted to the disclosed methodology and listed under claim 5;
choosing initially the variables required under claim 2: number of stocks, initial investment amounts per stock, portion to sell;
choosing initially the limits required under claim 2: price differential, minimum and maximum investment amount per stock;
tracing market prices regularly together with input in the portfolio management program, on a daily, weekly or any other basis, adapting the frequency to the users' time schedule and occupation;
calculating price differentials and highlight trigger limits;
share swapping and trading;
updating portfolio with bought and sold quantities;
measuring return and excess return;
and analyzing the different type of variances;
calculating transaction costs.

4. A program, written in Microsoft Excel, that combines and applies the methodology of claim 1, the formulas of claim 2 and the process of claim 3, using an example with the following chosen variables:
4 different stocks and an initial investment of $30 000 per stock;
a relative price differential of 15 %;
a portion of stocks to be sold of 50%;
a minimum that can be held in one stock of ¼ of the initial quantity of shares and a maximum of 2.5 times the initial quantity;
transaction costs of $ 29.95 per order and 0.17% of the transaction amount.

5. An additional screening method to select and classify stocks that best fit the methodology of claim 1 and the process of claim 3, including the qualitative criteria of excellent companies, having established businesses, products and markets, often market leaders in their major product lines, with irreproachable management and corporate governance, sound accounting rules, understandable structure and strategy, and with the following quantitative criteria, derived from the companies' 10K and 10Q financial statements:
value creators, expressed in terms of future free cash flow and economic value added (EVA), with EVA not less than minus 2%, assuming cost of equity of 13% and after tax cost of debt of 6%;
correctly priced, expressed in terms of price-to-earnings (P/E), price-to-book ratio and price-to-earnings growth ratio, with P/E not more than 12;
low debt to equity (D/E), not more than 20;

substantial market capitalization of minimum $2.5 billion;
with each of the former quantitative criteria weighted following a scale of importance that can be adapted, depending on specific personal preferences of the user or depending on occurring economic and financial market conditions.

6. A program, using a Microsoft Excel spreadsheet and formulas, that applies the additional screening method of claim 5.

7. Application of the methodology of claim 1, the process of claim 3 and the program of claim 4, in combining the different ranges of variables specified in claim 2, namely:
differently chosen number of stocks, theoretically starting from 2 and, ideally, more than 6 to assure sufficient diversification and, preferably, not a too high number to preserve manage-ability of the portfolio;
differently chosen initial investment amounts per stock, any amount sufficiently high to limit transaction costs;
different number of combinations, initially depending on the number of stocks and further influenced by the price differential, the limits per stock, the volatility and practical trading implications;
differently chosen price differentials, any percentage but much higher than for daily trading;
differently chosen portions of stocks to be sold each time that the price differential has been reached, with the portion being chosen between 20 and 100%;
differently chosen minimum and maximum amounts that can be held in one stock;
different average return per strike, influenced by the former variables and factors;
different number of strikes per year, depending on the number of stocks and the frequency of occurrence;
different success factor, influenced by trading limits and habits;
different transaction and other costs, depending on the broker, stock exchange, taxes and national regulations.

8. Application of the process of claim 3 and development of the program of claim 4, for other versions than those disclosed in the detailed examples, including:
invest initially a different amount for each stock;
rebalance the portfolio periodically;
use different type of stocks and different type of portfolio;
use different way of portfolio constitution;
differentiate the trigger limit;
differentiate portions to be sold;
use different ways to define limits per stock;
include alerts for not trading;

include stop losses;
include cash portion;
vary the approach gradually.

9. The protection of the ownership of the methodology of claim 1, the process of claim 3, the programs of claim 2 and claim 4, the variants of claim 7 and claim 8, when entering into partnerships, joint ventures or alliances for application, installment or further development of the method, particularly to be used as:
a commercial investment tool for private investors;
an integrated software for professional investors and money managers;
a sub-product for online brokerage;
training of consultants and interim managers for system implementation;
research in joint ventures with banks, money managers, funds and universities.